



# **COLORADO ECONOMIC OUTLOOK**

## **State Recovery Gains Strength**

Prepared for

Colorado Division of Local Government

by

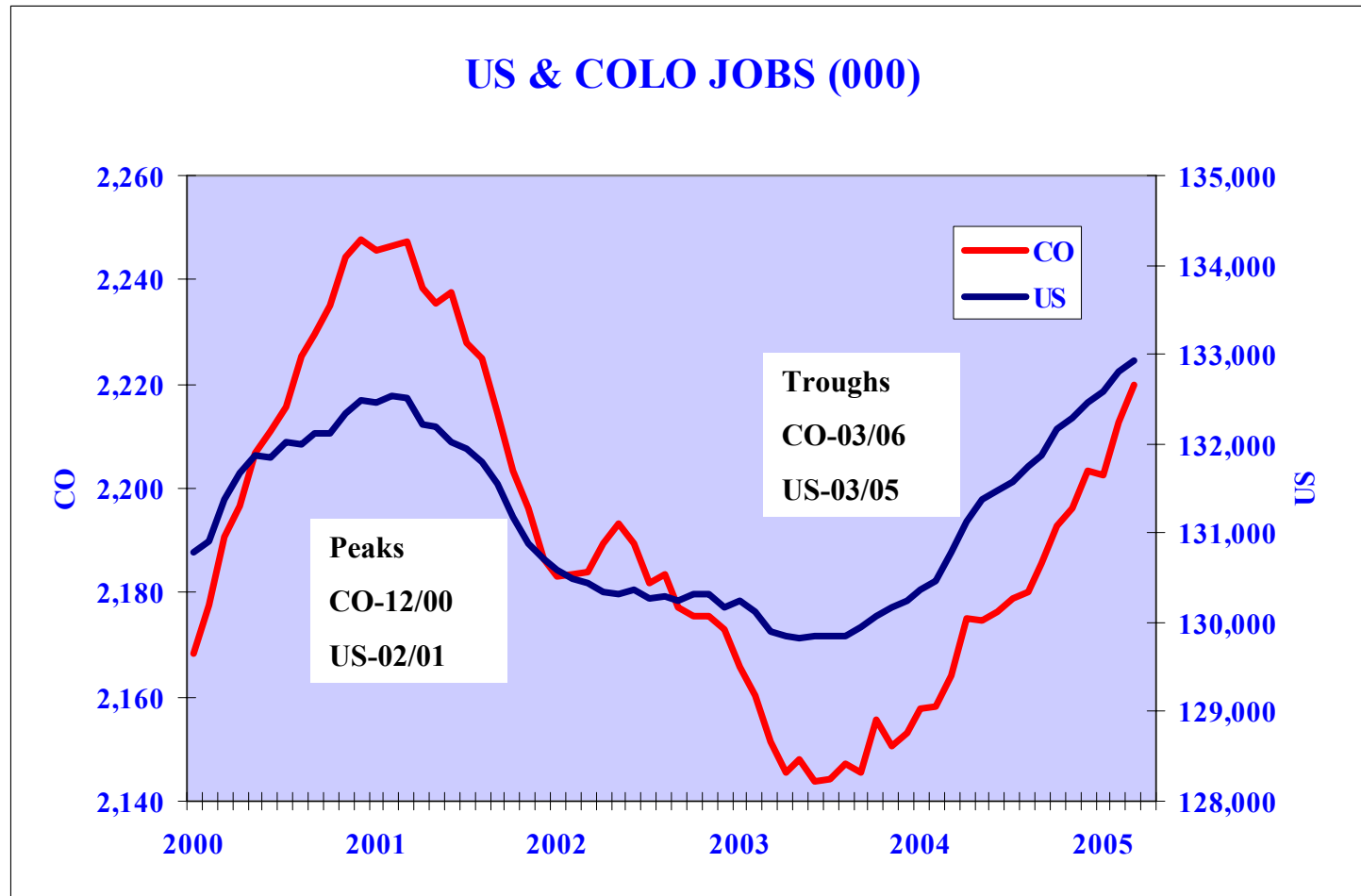
Center for Business and Economic Forecasting, Inc.

May 12, 2005

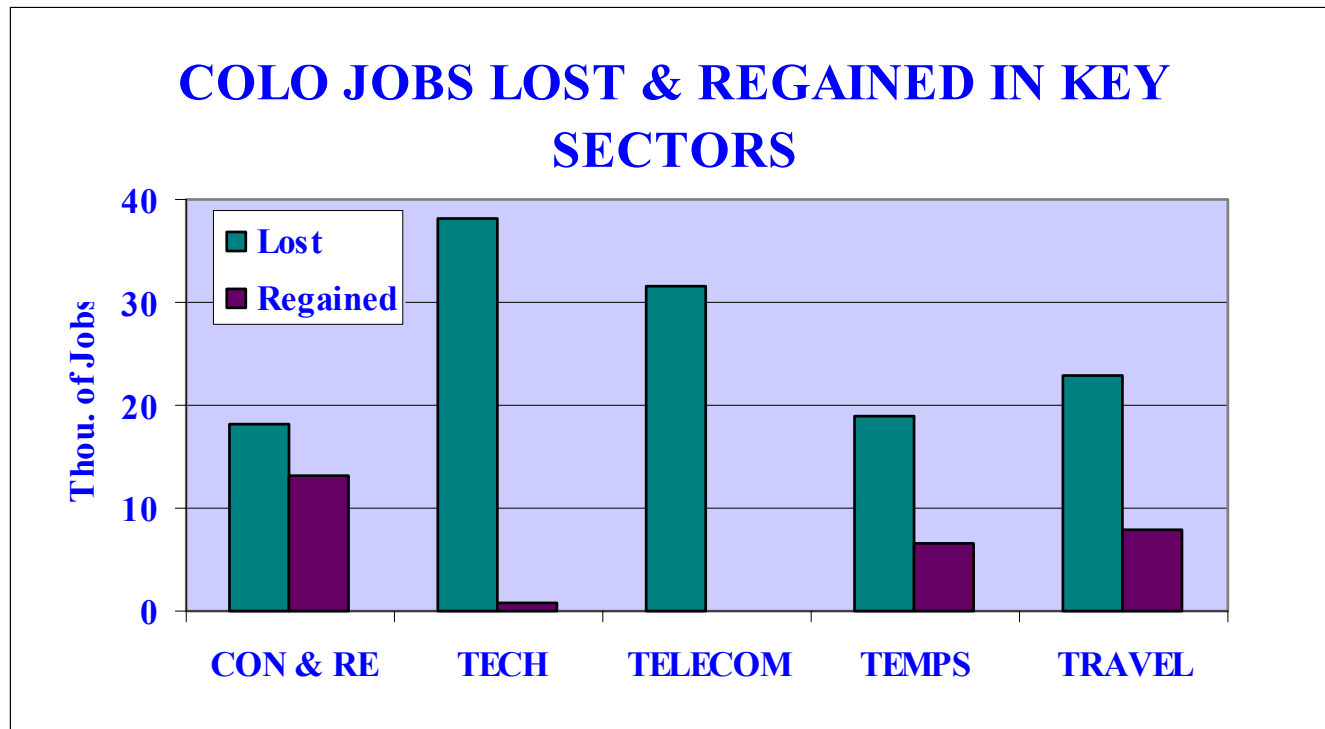
# **Colorado's Economy Is Now On A Solid Growth Path**

- **State job gains outpace nation**
- **Personal Income growth in 2004 strongest in 3 years**
- **Home building remains robust**
- **Retail spending has picked up**
- **State and local revenue pictures are improving**

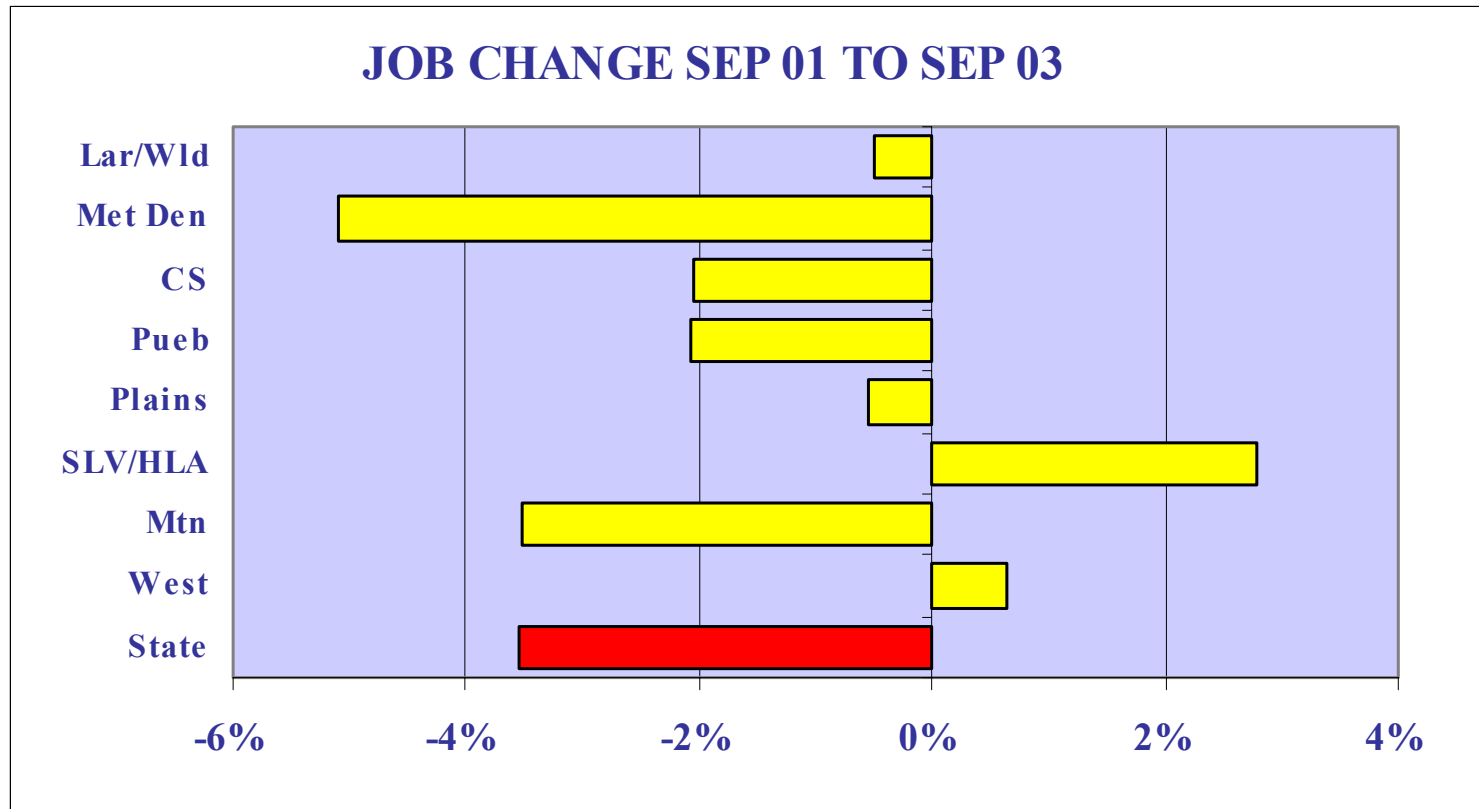
# Colorado Job Growth Has Outpaced Nation Since Recovery Began



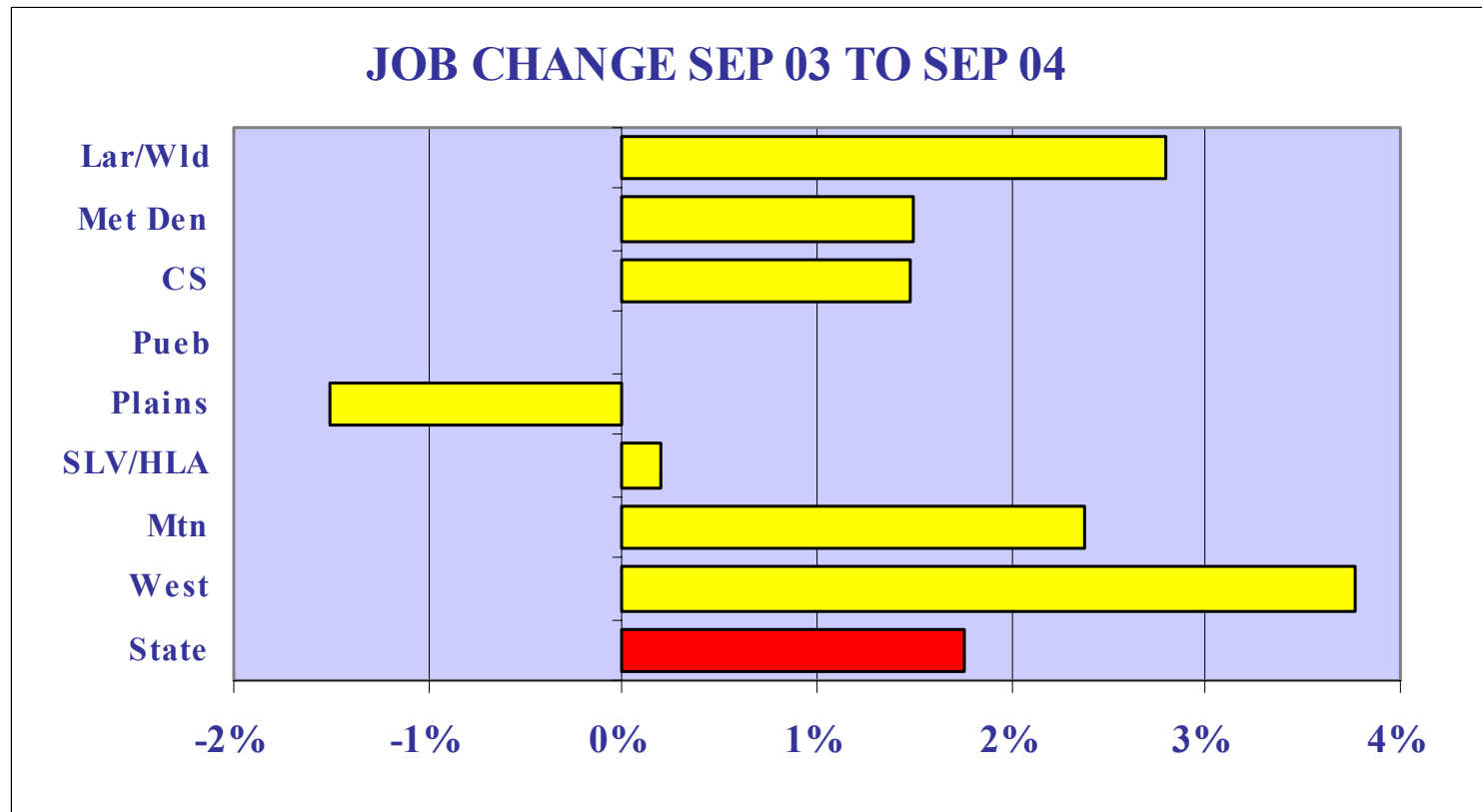
# Key Sectors Are Adding Jobs, Except Tech And Telecom



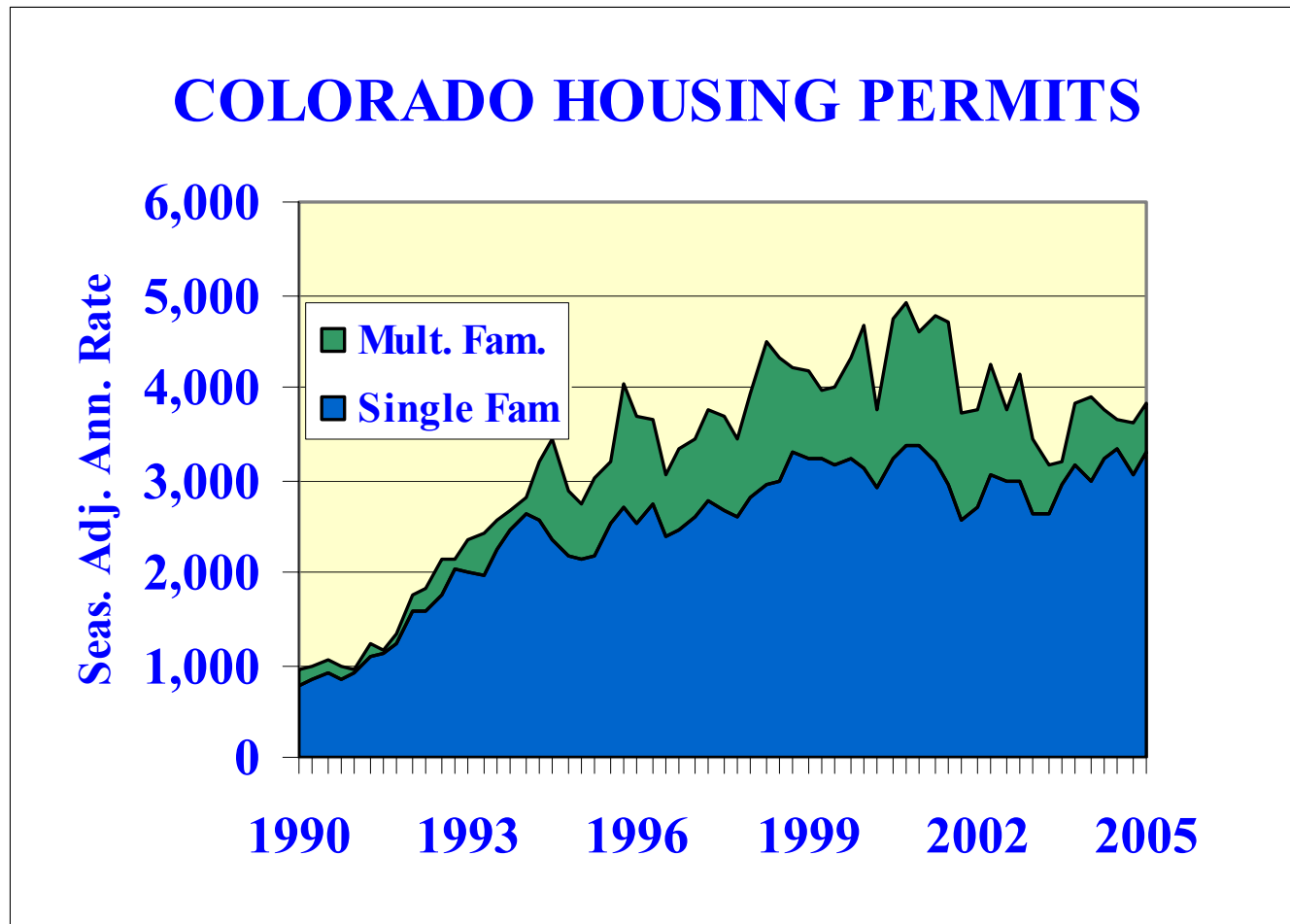
# Most Of Colorado's Regions Lost Jobs During Downturn



# Front Range, Western Colo. And Mountains Have Experienced Recovery

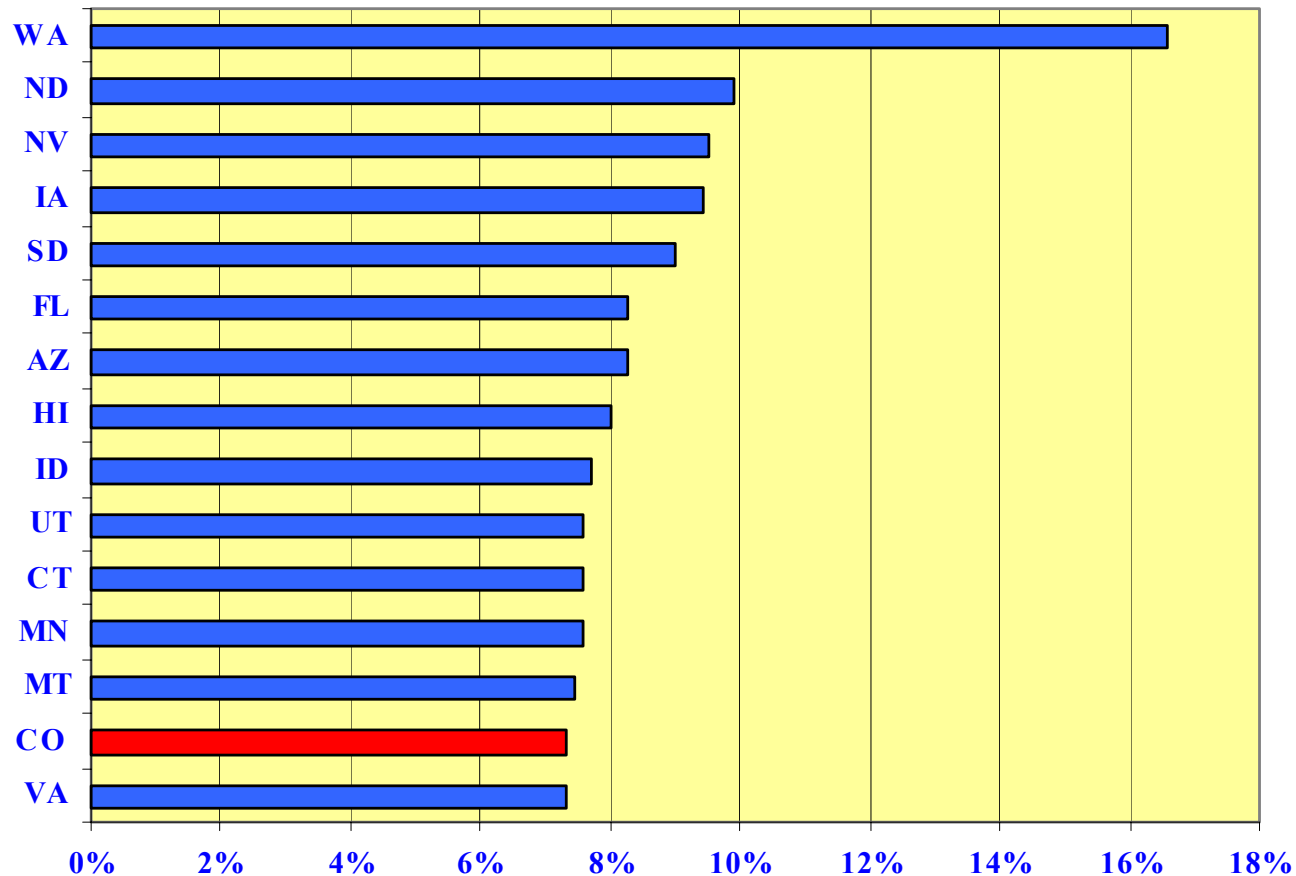


# Colorado's Single-Family Homebuilding Holds Up While Multi-Family Declines



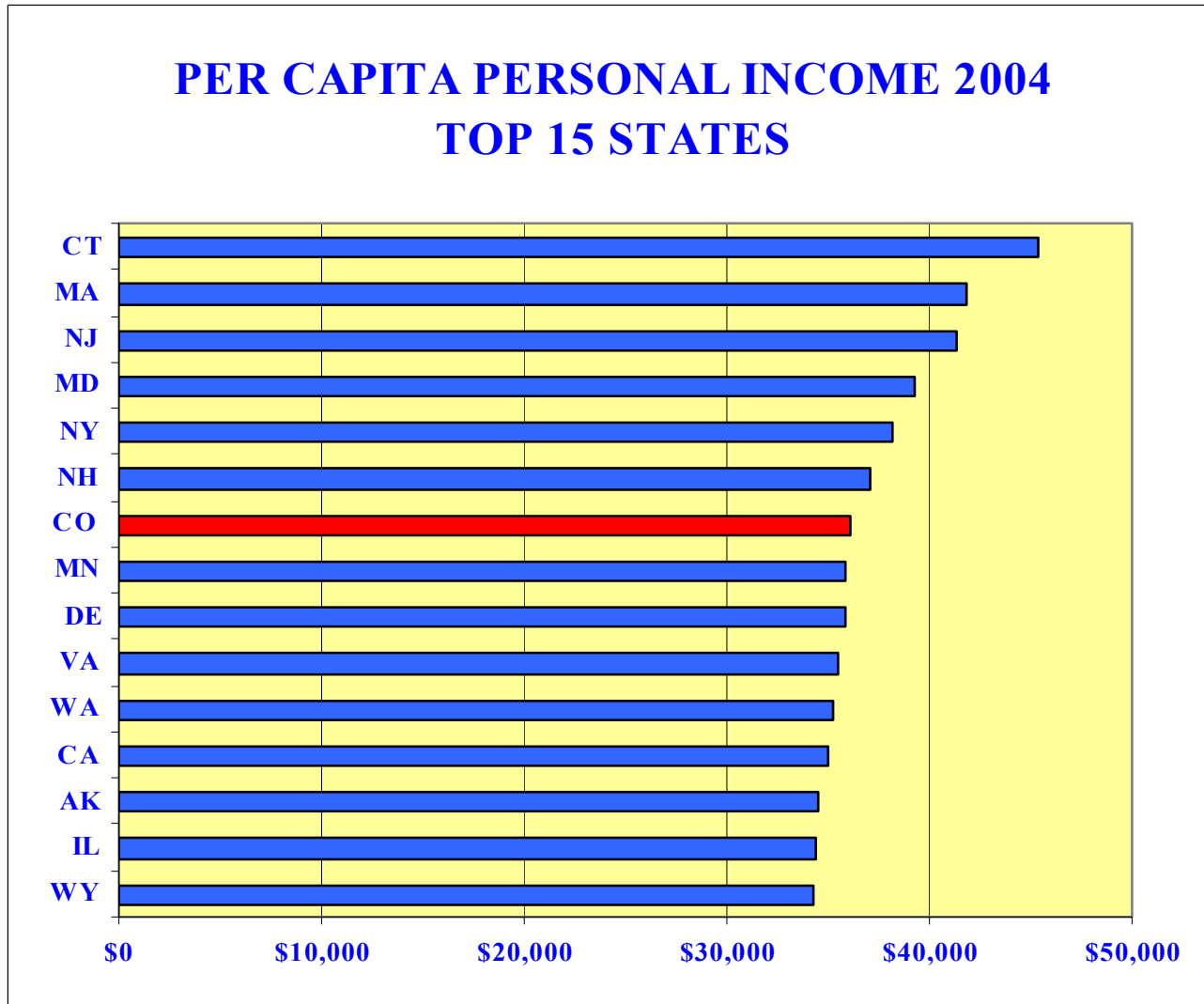
# Colorado Again One Of Faster Growing States In US

## STATE PERSONAL INCOME GROWTH 2003.4 TO 2004.4-TOP 15 STATES

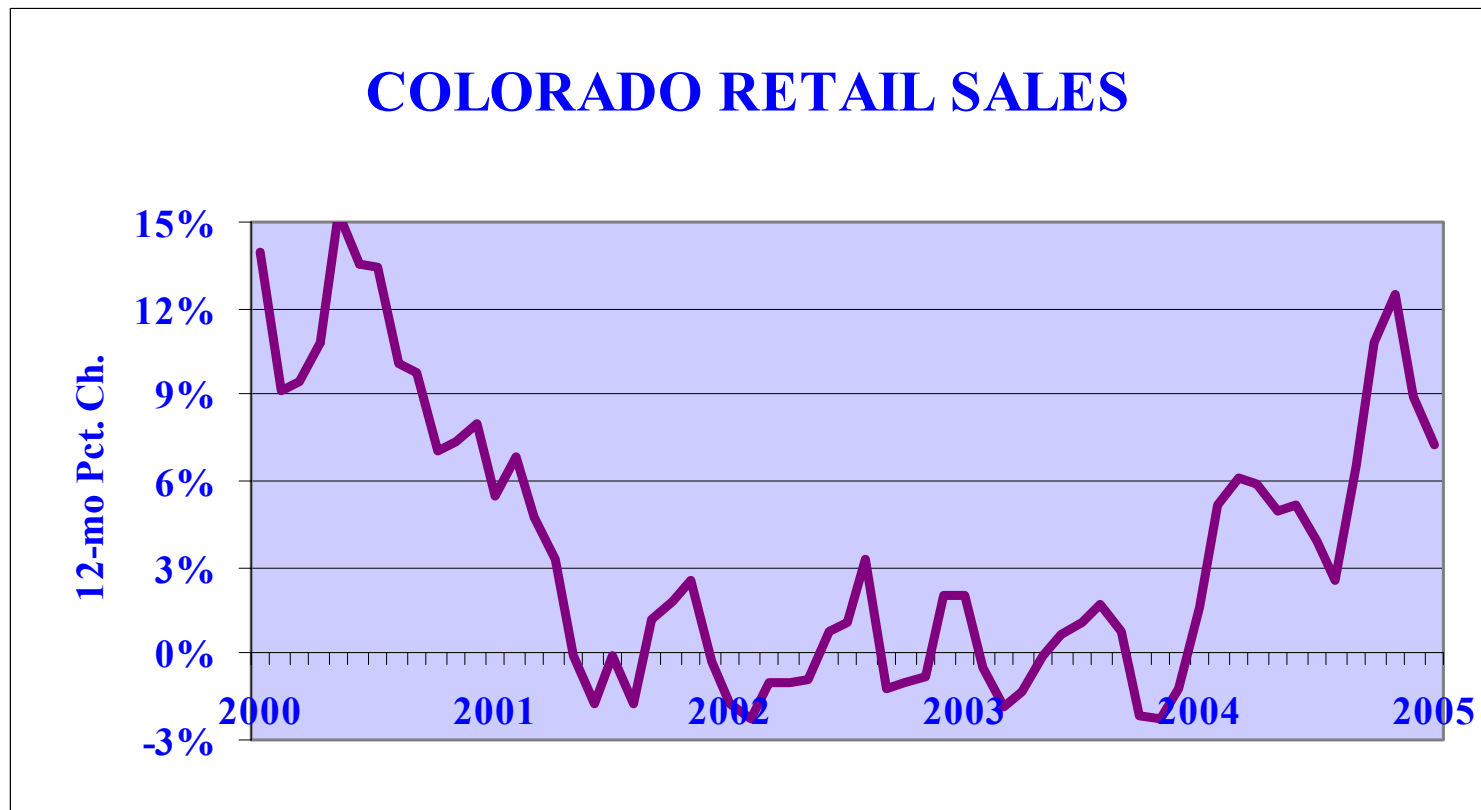




# Colorado Remains One Of Wealthiest States



# State Consumer Spending Rebounded after 3 Years Of No Growth



# **Colorado's Recovery Is Almost 2 Years Old**

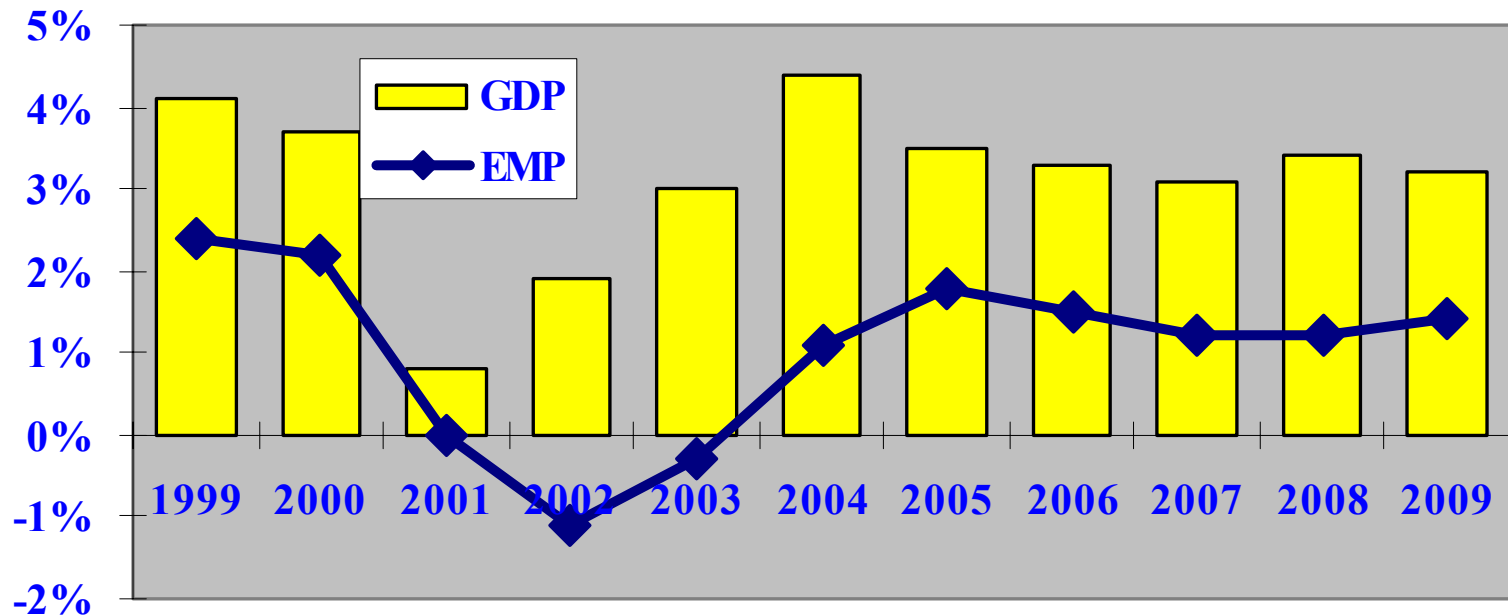
- **Telecommunications and technology sectors remain soft**
- **Travel and tourism have rebounded**
- **Single family building remains strong and construction jobs rebounded**
- **State recovery is slower than after past downturns**
- **Migration remains low**

# **Continued Growth In National Economy Is Critical To Colorado**

- **US economy slowed in early 2005**
- **Consumer confidence declined and spending slowed**
- **Inflation fears reappear**
- **FED raised rates & further tightening likely**
- **Yield curve is flattening-often a signal of weakness**
- **World economy has slowed**

# US Economy To Slow Slightly But Job And Output Gains Continue

## REAL GDP & JOB GROWTH



# **US Outlook-Summary**

- **Real growth will be slower than in 2004**
- **Job gains will continue & unemployment rate will edge down**
- **Homebuilding should decline**
- **Energy price run-up may be over but \$30 oil is not likely**
- **Inflation may increase a little**
- **Budget and current account deficits will persist but might decline.**

# **Risks To US Outlook**

- **Oil & energy prices**
- **Debt-household & government**
- **Weakening consumer confidence**
- **Run-up in interest rate**
- **Housing bubble**
- **Imbalance in world economy**
- **Terrorist attacks or deteriorating security**

# Colorado Job Growth To Strengthen This Year And Through 2008

## COLO & US JOB GROWTH

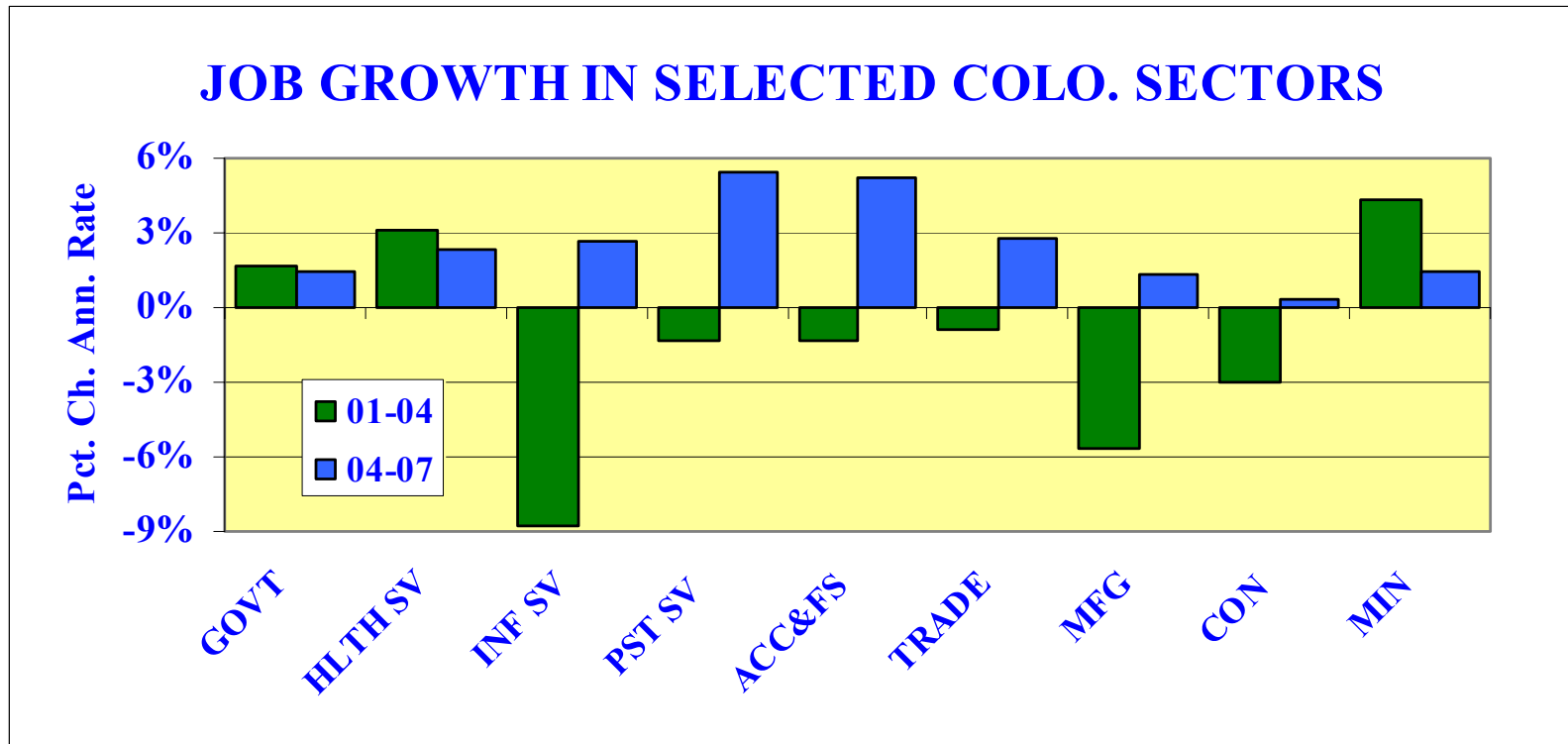




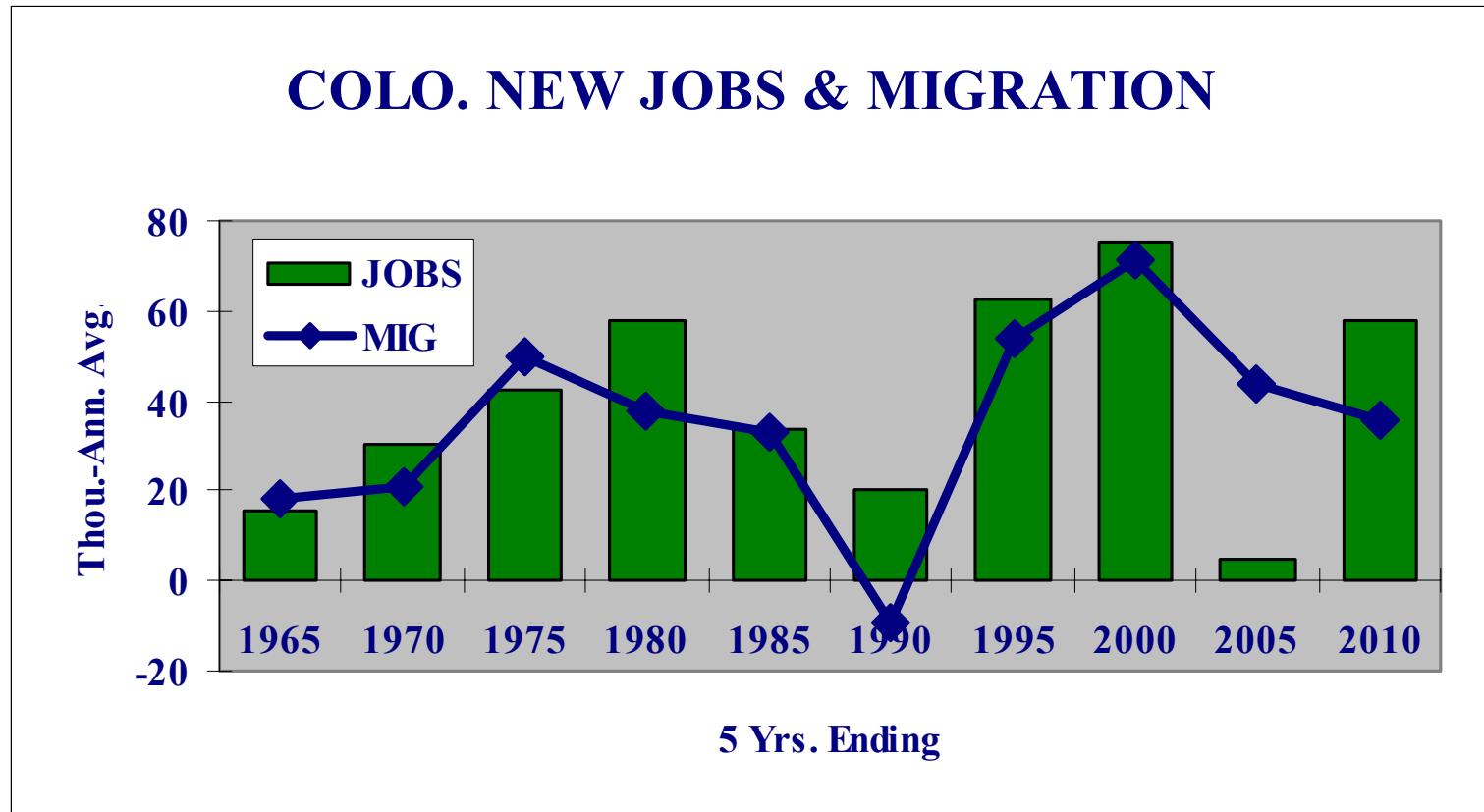
# State Income And Sales Have Recovered And This Should Continue



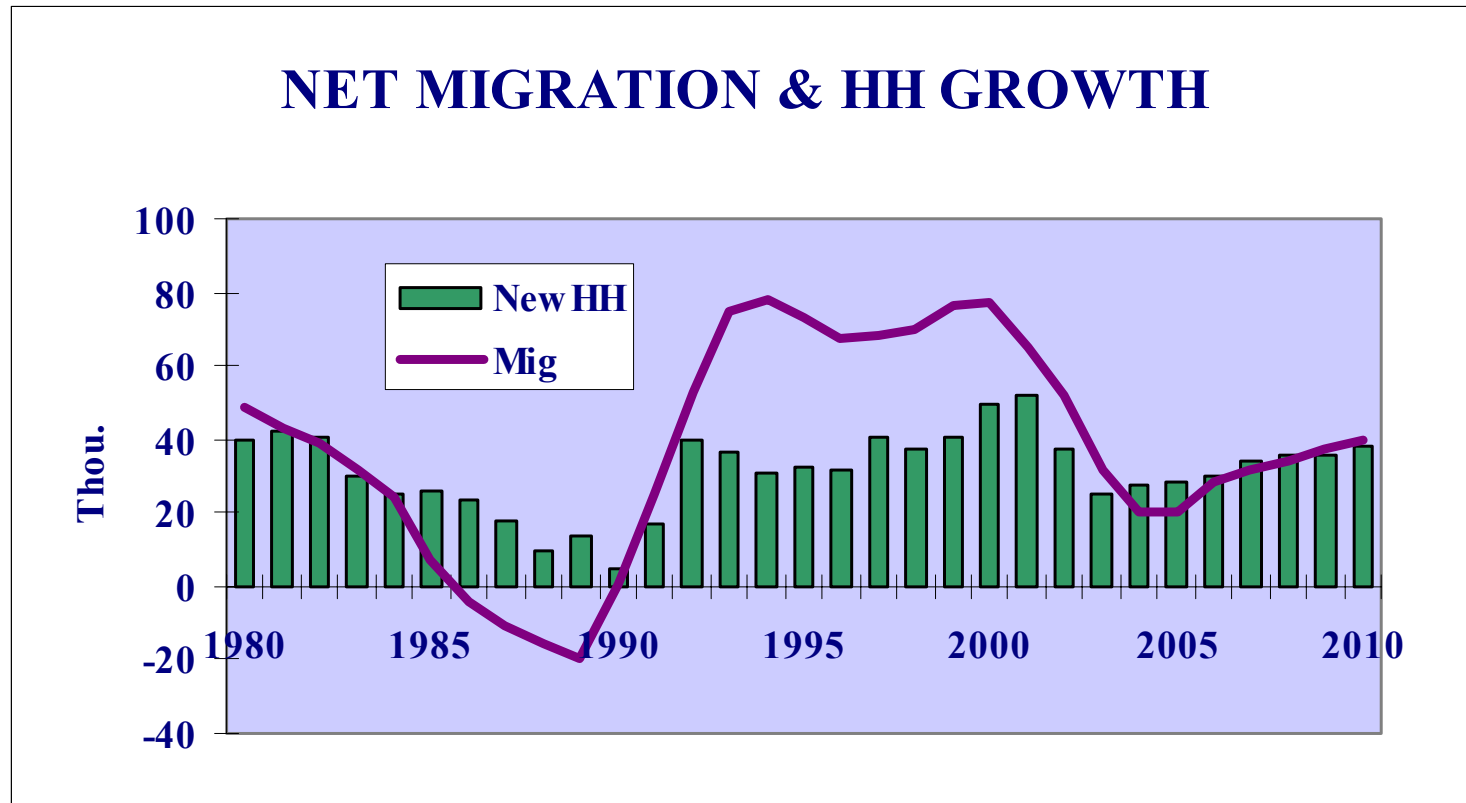
# Most Sectors Of Economy Should See Much Stronger Growth Next 3 Years



# Job Growth Is Slower Than 90s And Migration Is Also Less

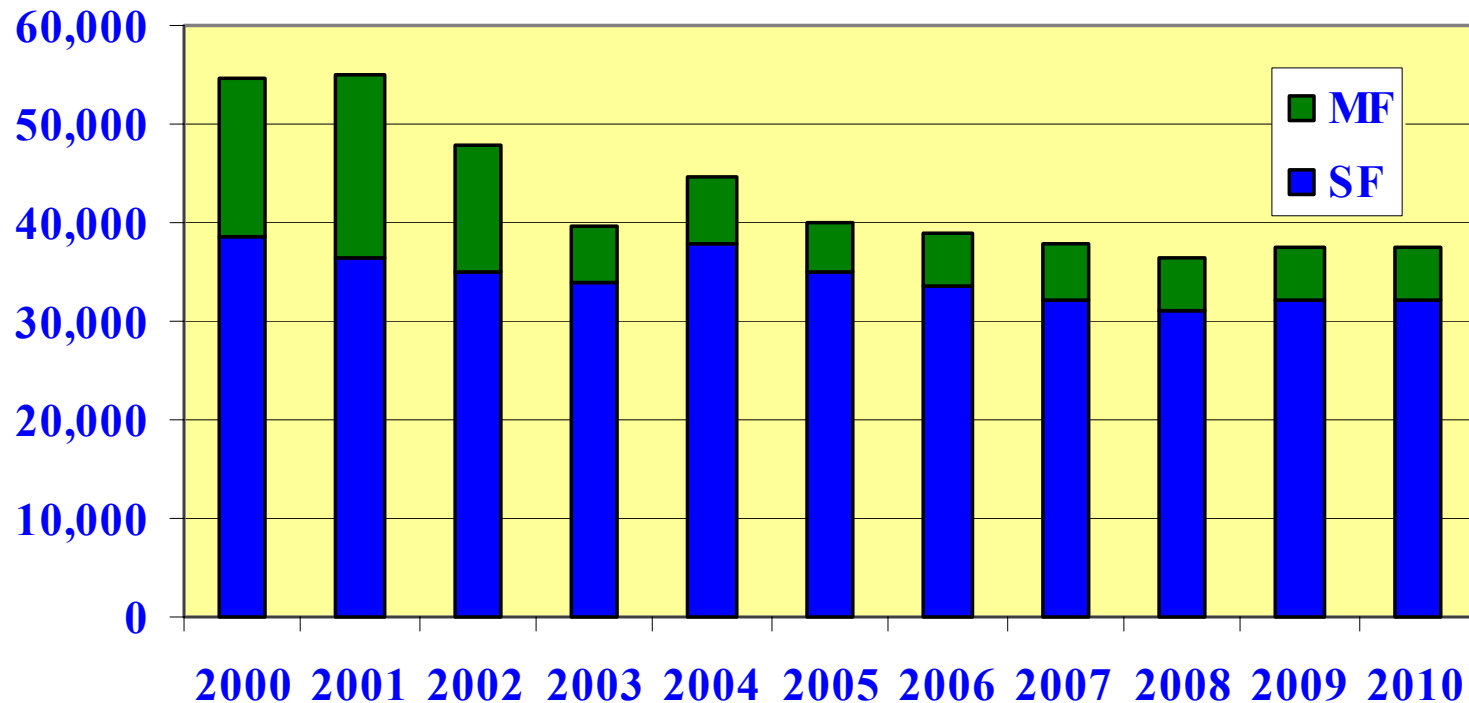


# Demand For New Homes Driven By Household Growth Which Depends On Migration



# Homebuilding In Colorado Is Expected To Slow In Next Few Years

## COLORADO HOUSING PERMITS



# **Colorado Outlook Summary-I**

- **Recovery should continue through 2005 and 2005**
- **Housing to weaken; Apartment market will remain soft**
- **Office recovery awaits stronger job growth**
- **Defense spending a source of strength**
- **High energy prices will help oil, gas and coal industries but hurt travel & tourism**
- **State and local government budget pictures will continue to improve**

# **Colorado Outlook Summary-II**

- **Tech industries may be showing signs of life**
- **Telecom recovery still distant**
- **Migration remains low until job growth strengthens**
- **Job growth will remain in 2.5 to 3 percent range**
- **Unemployment will gradually decline**
- **Retail spending should remain healthy**
- **State growth will remain well short of that in 1990s**

# **Questions For Colorado's Longer-Term Economic Future**

- **Is Colorado's time as a high-growth state over?**
- **What will drive the next Colorado boom?**
- **Will state be able to maintain a highly educated workforce?**
- **What is proper balance between a reasonable levels of taxation and the provision of necessary government services?**
- **Will aging of the baby-boom generation limit growth in state income?**